

WELFARE FRAUD CONTROL

ACCOMPLISHMENTS REPORT

SFY 2013

July 2012 — June 2013



State of Alaska
Department of Health and Social Services
Division of Public Assistance

Sean Parnell
Governor

William Steur
Commissioner

Ron Kreher
Director

FRAUD CONTROL UNIT SFY 2013 ACCOMPLISHMENTS

Facts about Fraud Control in Alaska from July 2012 through June 2013:

- Of the 632 *applicant* fraud referrals, 266 were proven to be fraudulent. Total state and federal cost avoidance savings from applicant fraud investigations was \$1,680,008.
- There were 2,309 categorically ineligible investigations completed resulting in 2,130 recipients found to be ineligible for future public assistance benefits for which they they were previously authorized to receive. Total state and federal cost avoidance savings from categorically ineligible investigations was \$6,455,987.
- There were 608 *recipient* fraud referrals, 478 investigations completed and 160 found to be fraudulent. Total claims established to recover recipient fraud overpayments was \$441,558.
- Fraud claim collections totaled \$328,229.
- There were twelve convictions with \$198,475 in court-ordered restitution and another twenty-nine current active prosecution cases involving approximately \$573,046.
- There were 52 Alaska Temporary Assistance Program (ATAP) recipient fraud disqualifications resulting in direct program savings of \$151,368, and 102 Food Stamp recipient disqualifications resulting in direct savings of \$469,698.
- The combined amount of cost avoidance, fraud claims established and direct savings from imposed disqualification periods totaled over \$9.27 million*.

* No cost avoidance value is estimated for the deterrent effect of an active fraud control effort. Many are dissuaded from committing welfare fraud knowing the consequence if they are caught intentionally breaking program rules.

PUBLIC ASSISTANCE FRAUD CONTROL PROCESS

Referrals Made to the Fraud Control Unit

Fraud case referrals often involve benefits received from one or more programs. Most commonly, these include Alaska Temporary Assistance, Food Stamps, Medicaid and Adult Public Assistance.

How Welfare Fraud Deterrence is Handled in Alaska

Two state agencies coordinate welfare fraud investigation:

- Department of Health and Social Services
Division of Public Assistance
Fraud Control Unit
- Department of Law
Office of Special Prosecutions and Appeals, Welfare Fraud Section

Fraud Control Unit

The Division of Public Assistance, Fraud Control Unit (FCU) has statewide responsibility for the welfare fraud deterrent effort. This responsibility includes coordination of referrals to the Department of Law for possible criminal prosecution. The Fraud Control Unit conducts two types of investigations, applicant fraud investigations and recipient fraud investigations.

The fraud unit consists of 15 staff, eleven in Anchorage, two in Fairbanks, one in Kenai, and one in Wasilla. Claims collection staff located in Juneau pursue debt collection. The FY 13 Fraud Investigation component budget was approximately \$1,978,460, which includes funds for the Dept. of Law, Welfare Fraud Section.

The Fraud Unit has three main functions:

1. Investigations

Early Fraud Detection

Caseworkers refer suspicious Food Stamp, Alaska Temporary Assistance Program (ATAP), Medicaid and Adult Public Assistance (APA) applicants to the Fraud Control Unit for investigation. These referrals are assigned to unit staff, and investigations are usually completed before or shortly after the applicant is deemed eligible for benefits. Public Assistance applicant fraud investigations are conducted in Anchorage, Fairbanks, Kenai and Mat-Su Valley where there are larger offices with investigators. Applicant fraud investigation activity is highlighted in the following table:

FY 2013 Applicant Fraud Investigation Activity			
Program	Referrals	Investigations Completed*	Determined Fraudulent*
ATAP	261	274	118
Food Stamp	579	590	229
Medicaid	503	520	129
Adult Public Assistance	40	42	10

*Includes cases referred in prior year(s)

The fraudulent cases are either not approved benefits or are adjusted to agree with factual circumstances. As 480 of the 632 applicant fraud referrals were for combined applications in which the household was applying for more than one program (Food Stamps, Alaska Temporary Assistance, Medicaid or Adult Public Assistance), the columns cannot be summed for an unduplicated count. A total of 266 were proven to be fraudulent.

Categorically Ineligible Fraud Detection

FCU investigators identify, through various data mining techniques, “*categorical ineligible*” individuals with ongoing program involvement. Specifically, individuals who are incarcerated, classified as fleeing to avoid prosecution or confinement for a felony-level crime, or individuals who are residing outside Alaska without an approved absence, such as obtaining medical treatment, are ineligible to receive public assistance benefits from the Food Stamp, Alaska Temporary Assistance, Medicaid and Adult Public Assistance programs.

A total of 2,309 categorically ineligible investigations were completed by the unit in FY 2013. Of these, 2,130 recipients were found to be ineligible for future public assistance benefits for which they were previously authorized to receive. These investigations and the numbers of recipients found to be ineligible for public assistance benefits for which they were previously authorized to receive are as follows:

FY 2013 Categorically Ineligible Fraud Investigation Activity		
Program	Investigations Completed	Ineligible Recipients
ATAP	105	96
Food Stamp	2,142	1,981
Medicaid	782	522
Adult Public Assistance	443	387

The fraudulent cases are either not approved benefits or are adjusted to agree with factual circumstances. As 774 of the categorically ineligible

investigations were for combined applications in which the household was applying for more than one program (Food Stamps, Alaska Temporary Assistance, Medicaid or Adult Public Assistance), the columns cannot be summed for an unduplicated count.

Recipient Fraud Control

This function focuses primarily on intentional recipient fraud of ATAP, Food Stamp, Medicaid and Adult Public Assistance benefits. (The Fraud Control Unit also assists with fraud detection efforts involving Food Stamp Hold Harmless; Supportive Services; Senior Benefits; Child Care; and Women, Infants and Children (WIC) benefits.)

Fraud referrals are received from the public, caseworkers and other agency staff. Most recipients suspected of welfare fraud are presented with the investigation findings and offered the option of accepting program disqualification and repaying the debt, or facing an Administrative Disqualification Hearing. If they choose not to sign a waiver, a hearing is scheduled. Serious cases involving high dollar loss or egregious fraud are referred to the Department of Law, Welfare Fraud Section for possible criminal prosecution.

During State Fiscal Year 2013 there were 608 recipient fraud referrals, 478 investigations completed and 160 found to be fraudulent. As 400 of the referrals were for combined applications in which the household was receiving more than one program (ATAP, Food Stamps, Medicaid, or Adult Public Assistance), the columns cannot be summed for an unduplicated count. Recipient fraud investigation activity is noted in the following table:

FY 2013 Recipient Fraud Investigation Activity			
Program	Referrals	Investigations Completed*	Determined Fraudulent*
ATAP	238	209	76
Food Stamp	563	443	131
Medicaid	381	298	24
Adult Public Assistance	40	32	7

*Includes cases referred in prior year(s)

2. Administrative Disqualification Hearings

Administrative Disqualifications Hearings are a key component of the fraud control process. When an investigation concludes fraud occurred, the individual is notified that a disqualification hearing will be scheduled. Most clients when presented with the facts of the investigations opt to sign a hearing waiver and

avoid the hearing. In doing so, they accept the disqualification penalty and agree to repay the fraud debt. If they do not sign the offer of a hearing waiver, a disqualification hearing is scheduled. The Department's Office of Hearings and Appeals conducts the hearings, and the Fraud Control Unit staff present the facts supporting our finding of an intentional program violation. If the state prevails, a disqualification penalty is ordered along with repayment of fraudulently received benefits.

First offense fraud disqualification is 6 months for the Alaska Temporary Assistance Program and 12 months for the Food Stamp Program. A second fraud offense results in 12 month and 24 month disqualifications respectively. For both programs, a third offense results in the individual's permanent disqualification.

Individuals who sign a hearing waiver or who are found guilty in an Administrative Disqualification Hearing must repay the fraudulently received overpayments. Overpayment claims against these individuals are established and they sign promissory notes for the amount owed. A variety of debt collection methods are used including: monthly reduction of current benefits, periodic cash payments, garnishment of Permanent Fund Dividends and interception of federal income tax refunds.

During FY 2013, the Fraud Control Unit scheduled 42 Administrative Disqualification Hearings (ADH's).

- 33 Administrative Disqualification Hearings were held with 3 decisions still pending.
- 34 ADH decisions were rendered resulting in 14 Temporary Assistance and 29 Food Stamp program disqualifications.
- 10 hearings were re-scheduled at the client's request.
- 0 hearings were "Dismissed without Prejudice".
- 52 Temporary Assistance and 102 Food Stamp disqualification penalties were imposed as a result of clients' waiving their right to an ADH.

3. Claims Processing and Collection

The Benefits Issuance and Recovery Unit establishes all fraud debts and sets up each claim for recovery. Claims specialists handle all the fraud claims determined by the court, signed consent agreements, signed disqualification waivers and administrative disqualification hearings. The unit arranges repayment agreements and collects for fraud losses as well as all other client and agency-caused overpayments.

The claims specialists use a variety of debt collection methods including: benefit reduction, small claims court actions, garnishment and assignment of rights to permanent fund dividends, and federal income tax refund interception (Food

Stamp Program only). The specialists also work with the Department of Law to revoke probation in cases that default on court ordered payments.

Fraud claims managed by the Benefits Issuance and Recovery Unit for FY 2013 are as follows:

FY 2013 Fraud Claims		
Program	Number of Claims	Fraud Debt Balance
ATAP	450	\$1,479,136
Food Stamp	329	\$538,473
Adult Public Assistance	37	\$162,834

Fraud Control Efforts Save Money

Food Stamp Program benefits are 100 percent federally funded. However, as a fraud prevention incentive, states are allowed to keep 35% of Food Stamp Program fraud debt collected. Although ATAP is a federally funded block grant, Alaska retains all ATAP recipient fraud claim collections.

There is no overpayment recovery associated with the applicant fraud as no benefits were issued. However, there is significant cost avoidance associated with the activity. Applicant fraud savings for the state are the 50% of estimated ATAP costs that the state would have incurred on fraudulent applications over a six-month period. Food Stamp applicant fraud detection cost-avoidance savings is mostly federal funds, and estimated savings are also based on a six-month period of presumed eligibility. A similar method is used to calculate Medicaid and APA Program cost avoidance.

1. Applicant/Categorically Ineligible Fraud - Estimated Total and State Savings for FY 2013

During FY 2013 there were 118 ATAP, 229 Food Stamp, 129 Medicaid and 10 Adult Public Assistance *applicant* fraud referrals found to be fraudulent. Estimated cost avoidance savings totaled \$1,680,008.

During FY 2013 there were 96 ATAP, 1,981 Food Stamp, 522 Medicaid and 387 Adult Public Assistance cases in which the *recipients* were found to be ineligible for future public assistance benefits for which they were previously authorized to receive. Estimated cost avoidance savings totaled \$6,455,987.

ATAP Savings	\$1,001,985
Food Stamp Savings	\$4,205,920
Medicaid Savings	\$2,092,946
Adult Public Assistance	\$835,144
	<u>\$8,135,995</u>

2. Established Fraud Loss Claims

These claims establish fraud loss debts for recipients proven guilty of welfare fraud or who admit intentional program violations. Administrative Disqualification Hearing decisions, signed hearing waivers and court orders are the basis for fraud loss claims. Established fraud loss debt for FY 2013 totaled \$441,558.

ATAP	\$131,666
Food Stamps	\$173,092
Medicaid	\$94,955
Adult Public Assistance	\$41,845
	<hr/>
	\$441,558

3. Fraud Claims Collections

The Benefit Issuance and Recovery Unit seeks repayment of established fraud debts and other overpayments. In FY 2013, \$328,229 of fraud debt was recovered.

ATAP	\$78,176
Food Stamps	\$144,962
Medicaid	\$35,935
Adult Public Assistance	\$8,015
Food Stamp Hold Harmless	\$4,265
Supportive Services	\$334
Senior Benefits	\$24,192
Child Care	\$29,185
WIC	\$3,165
	<hr/>
	\$328,229

4. Fraud Disqualifications

Progressively longer program disqualification periods are assigned to individuals who commit fraud in the Alaska Temporary Assistance, Food Stamp, Medicaid and Adult Public Assistance programs. This results in direct savings to the programs since benefits are not paid to these individuals. In FY 2013, \$693,113 was saved.

<u>Program</u>	<u>Disqualifications</u>	<u>Direct Savings</u>
ATAP	66	\$151,368
Food Stamp	131	\$469,698
Medicaid	n/a **	\$63,359
Adult Public Assistance	n/a **	\$8,688
		<hr/>
		\$693,113

** Although there are direct savings realized for the Medicaid and APA programs when an individual is no longer receiving these benefits due to a successful fraud investigation, there is currently no federal or state authority in place to allow for a disqualification from either of these programs.

5. Convictions and Restitution Handled by the Department of Law

- During State Fiscal Year 2013, there were 25 cases referred by the Fraud Control Unit to the Department of Law for criminal prosecution.
- There were 12 convictions with court-ordered restitution totaling \$198,475.
- There are 29 current active prosecution cases involving about \$573,046 comprised of:
 - 18 indictments involving an estimated \$465,636 in alleged fraudulent overpayments pending disposition, and
 - 11 cases involving \$107,410 in which arrest warrants have been issued.

Combined Value of Fraud Control Efforts

The combined amount of cost avoidance, fraud claims established and direct savings from imposed disqualification periods totaled over \$9.27 million as shown in the following table. (This does not include the cases involving approximately \$573,046 currently being prosecuted by the Department of Law.)

Monetary Value of FY 2013 Fraud Control Efforts	
Fraud Control Efforts	Amount
Cost avoidance savings for <i>applicants</i> not approved benefits or benefit amounts reduced	\$1,680,008
Cost avoidance savings for <i>recipients</i> found ineligible due to: incarceration, fleeing felony prosecution/confinement or residing out-of-state	\$6,455,987
Fraud debt established for recipients guilty of welfare fraud	\$441,558
Direct savings from imposed disqualification periods	\$693,113
Total	\$9,270,666

No cost avoidance value is estimated for the deterrent effect of an active fraud control effort. Many are dissuaded from committing welfare fraud knowing the consequence if they are caught intentionally breaking program rules. The Departments of Law and Health & Social Services collaborate in the issuance of press releases for welfare fraud convictions.

Common Trends in Fraud Investigations

Applicant Fraud

<u>PROGRAM</u>	<u>ALLEGATION</u>	<u>COMPLAINTS</u>
ATAP	Other parent living in the home not reported	98
	Other household composition issues	28
	No eligible child living in the home	107
	** Electronic Benefit Transfer (EBT) Out-of-State Usage & Misuse of Card	60
	** Felon Fleeing Prosecution	14
	** Incarcerated Persons	36
		<hr/> 343
Food Stamps	Household members not reported in the home	90
	Significant other in household not reported	226
	Children on application not in the home	179
	** EBT Out-of-State Usage & Misuse of Card	662
	** Felon Fleeing Prosecution	131
	** Incarcerated Persons	1,332
		<hr/> 2,620
Medicaid	Household members not reported in the home	64
	Significant other in household not reported	210
	Children on application not in the home	160
	** EBT Out-of-State Usage & Misuse of Card	273
	** Felon Fleeing Prosecution	6
	** Incarcerated Persons	495
		<hr/> 1,208

Recipient Fraud

<u>PROGRAM</u>	<u>ALLEGATION</u>	<u>COMPLAINTS</u>
ATAP	Child on ATAP no longer living in household	55
	* Unreported or underreported earned income	57
	Other parent living in the home & unreported	17
	Any household composition issue involving the Child Support Services Division (CSSD)	21
	Unreported income (other)	0
	** EBT Out-of-State Usage & Misuse of Card	6
	** Incarcerated Persons	2
	Other reasons (various)	84
	<hr/>	242
Food Stamps	Child on Food Stamps no longer living in household	72
	* Unreported or underreported earned income	146
	Significant other in household not reported	33
	Any household composition issue involving CSSD	20
	Unreported household members (other)	16
	** EBT Out-of-State Usage & Misuse of Card	10
	** Incarcerated Persons	7
	Other reasons (various)	258
	<hr/>	562
Medicaid	Child on Food Stamps no longer living in household	61
	* Unreported or underreported earned income	88
	Significant other in household not reported	36
	Any household composition issue involving CSSD	19
	Unreported household members (other)	13
	** EBT Out-of-State Usage & Misuse of Card	6
	** Incarcerated Persons	4
	Other reasons (various)	153
	<hr/>	380

*Indicates the most common allegation type

** Indicates categorically ineligible individuals (Out-of-state Food Stamp and ATAP use via EBT helps identify potential fraudulent receipt of other programs from out-of-state, such as Adult Public Assistance and Medicaid.)